

The real difference of exchange, resulting from the state of trade and payments, never can fall lower than the amount of such expense of carriage, including the insurance." If proof were needed of this simple proposition, it was furnished by the answers given to the searching questions of the committee by Mr. Greffulhe, regarding the actual rate of exchange in coin. " From these answers of Mr. Greffulhe, it appears," said the committee, " that when the computed exchange with Hamburg was 29, that is, from 16 to 17 per cent, below par, the real difference of exchange, resulting-from the state of trade and balance of payments, was no more than five and a half per cent, against this country.¹ The committee concluded, therefore, that after making the necessary allowances for the balance of trade and payments, there still remained a fall of 11 per cent, in the exchange with Hamburg " to be explained in some other manner."

Mr. Harman, one of the directors of the bank, declared before the committee, "I must very materially alter iny opinions before I can suppose that the exchanges will be influenced by any modification of our paper currency." The committee furnished him in their report the evidence of the depreciation of the Scotch currency, when the optional clause of payment was inserted after the Seven Years' War ; the depreciation of Irish currency six years before ; and the depreciation of the notes of the Bank of England itself three years after its foundation. The committee then declared :

Under the former system, when the bank was bound to answer its notes in specie upon demand, the state of the foreign exchanges and the price of gold did most materially influence its conduct in the issue of those notes, though it was not the practice of the directors systematically to watch either the one or the other. So long as gold was detnaudable for their paper, they were speedily apprised of a depression of the exchange, and a rise in the price of gold, by a run upon them for that article. If at any time they incautiously exceeded the proper limit of their advances and issues, the paper was quickly brought back to them, by those who were tempted to profit by the market price of gold or by the rate of exchange. In this manner the evil soon cured itself.

The committee, in taking up the question
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